

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	June 30, 2007	March 31, 2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	286	286
Reserves and surplus	2	<u>12,053</u>	<u>10,969</u>
		<u>12,339</u>	<u>11,255</u>
MINORITY INTEREST		<u>4</u>	<u>4</u>
		<u>12,343</u>	<u>11,259</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	4,743	4,642
Less: Accumulated depreciation and amortization		<u>1,979</u>	<u>1,836</u>
Net book value		<u>2,764</u>	<u>2,806</u>
Add: Capital work-in-progress		<u>1,199</u>	<u>965</u>
		<u>3,963</u>	<u>3,771</u>
INVESTMENTS	4	-	25
DEFERRED TAX ASSETS	5	99	92
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	2,496	2,436
Cash and bank balances	7	5,133	5,871
Loans and advances	8	<u>2,428</u>	<u>1,214</u>
		<u>10,057</u>	<u>9,521</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	1,465	1,469
Provisions	10	<u>311</u>	<u>681</u>
NET CURRENT ASSETS		<u>8,281</u>	<u>7,371</u>
		<u>12,343</u>	<u>11,259</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	22		

The schedules referred to above are an integral part of the consolidated balance sheet.

As per our report attached

*for BSR & Co.
Chartered Accountants*

Natrajan Ramkrishna
Partner
Membership No. 32815

N. R. Narayana Murthy
*Chairman
and Chief Mentor*

Nandan M. Nilekani
Co-Chairman

S. Gopalakrishnan
*Chief Executive Officer
and Managing Director*

S. D. Shibulal
Chief Operating Officer

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Omkar Goswami
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Rama Bijapurkar
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Jeffrey S. Lehman
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K. Dinesh
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V. Balakrishnan
Chief Financial Officer

Bangalore
July 11, 2007

Parvatheesam K.
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Consolidated Profit and Loss Account for the	Schedule	Quarter ended	
		2007	2006
		June 30,	
Income from software services, products and business process management		3,773	3,015
Software development and business process management expenses	11	<u>2,169</u>	<u>1,666</u>
GROSS PROFIT		1,604	1,349
Selling and marketing expenses	12	205	204
General and administration expenses	13	<u>315</u>	<u>256</u>
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND MINORITY INTEREST		1,084	889
Interest		-	-
Depreciation		<u>144</u>	<u>106</u>
OPERATING PROFIT BEFORE TAX MINORITY INTEREST AND EXCEPTIONAL ITEMS		940	783
Other income, net	14	253	128
Provision for investments		<u>-</u>	<u>3</u>
NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,193	908
Provision for taxation (refer to note 22.2.8)	15	<u>114</u>	<u>106</u>
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,079	802
Income on sale of investments, net of taxes (refer to note 22.2.19)		<u>-</u>	<u>6</u>
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST		1,079	808
Minority interest		<u>-</u>	<u>8</u>
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST		1,079	800
Balance Brought Forward		4,941	2,219
Less: Residual dividend paid		-	4
Additional dividend tax		<u>-</u>	<u>1</u>
		<u>4,941</u>	<u>2,214</u>
AMOUNT AVAILABLE FOR APPROPRIATION		6,020	3,014
Dividend			
Interim		-	-
Final		<u>-</u>	<u>-</u>
Total dividend		-	-
Dividend tax		-	-
Amount transferred to General reserve		-	-
Balance in profit and loss account		<u>6,020</u>	<u>3,014</u>
		<u>6,020</u>	<u>3,014</u>
EARNINGS PER SHARE *			
Equity shares of par value Rs. 5/- each			
Before Exceptional items			
Basic		18.89	14.36
Diluted		18.82	14.02
After Exceptional items			
Basic		18.89	14.48
Diluted		18.82	14.14
Number of shares used in computing earnings per share			
Basic		57,12,09,862	55,28,24,726
Diluted		57,33,39,994	56,60,38,472

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

22

* Refer to note 22.2.18

The schedules referred to above form an integral part of the consolidated profit and loss account.

As per our report attached

for BSR & Co.

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Consolidated Cash Flow Statement for the	Schedule	<i>in Rs. crore</i>	
		2007	Quarter ended June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax, minority interest and exceptional items		1,193	908
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		144	106
Interest and dividend income		(183)	(70)
Profit on sale of liquid mutual funds		-	(6)
Provisions for investments		-	3
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(16)	28
Changes in current assets and liabilities			
Sundry debtors		(60)	(262)
Loans and advances	16	(91)	(145)
Current liabilities and provisions	17	(8)	16
Income taxes paid	18	(47)	(114)
		<u>932</u>	<u>464</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	19	(336)	(193)
Proceeds on disposal of fixed assets		-	-
Investments in securities	20	25	(880)
Acquisition of minority interest in subsidiary		-	(530)
Effect of foreign currency translation on subsidiaries		5	-
Interest and dividend income		183	70
Cash flow from investing activities before exceptional items		<u>(123)</u>	<u>(1,533)</u>
Proceeds on sale of long term Investments (net of taxes)		-	6
		<u>(123)</u>	<u>(1,527)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital on exercise of stock options		-	144
Dividends paid during the period, including dividend tax		(431)	(1,213)
		<u>(431)</u>	<u>(1,069)</u>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		<u>16</u>	<u>(28)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>394</u>	<u>(2,160)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>6,048</u>	<u>3,956</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	<u>6,442</u>	<u>1,796</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

The schedules referred to above are an integral part of the consolidated cash flow statement.

As per our report attached

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July 11, 2007

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Schedules to the Consolidated Balance Sheet as at	June 30, 2007	March 31, 2007
1 SHARE CAPITAL		
Authorized		
Equity shares, Rs. 5/- par value		
60,00,00,000 (60,00,00,000) equity shares	<u>300</u>	<u>300</u>
Issued, Subscribed and Paid Up		
Equity shares, Rs. 5/- par value*	286	286
57,12,09,862 (57,12,09,862) equity shares fully paid up		
[Of the above, 53,53,35,478 (53,53,35,478) equity shares, fully paid up have been issued as bonus shares by capitalization of the General reserve]		
	<u>286</u>	<u>286</u>
Forfeited shares amounted to Rs. 1,500/- (Rs 1,500/-)		
* For details of options in respect of equity shares, refer to note 22.2.7		
* Refer to note 22.2.18 for details of basic and diluted shares		
2 RESERVES AND SURPLUS		
Capital reserve	5	5
Foreign Currency Translation Reserve	5	-
Share premium account - As at April 1,	2,768	1,543
Add: Receipts on exercise of employee stock options	-	1,206
Income Tax benefit arising from exercise of stock options	-	19
	<u>2,768</u>	<u>2,768</u>
General reserve - As at April 1,	3,255	3,012
Less: Capitalized on issue of bonus shares	-	138
Less: Gratuity transitional liability (refer to note 22.2.20)	-	9
Add: Transfer from the Profit and Loss Account	-	378
Add: Fair value of employee options issued in exchange of Infosys BPO options (refer to note 22.2.12)	-	12
	<u>3,255</u>	<u>3,255</u>
Balance in Profit and Loss Account	6,020	4,941
	<u>12,053</u>	<u>10,969</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet

in Rs. crore except as otherwise stated

3 FIXED ASSETS

Particulars	Original cost			Depreciation and amortization				Net book value		
	As at April 1, 2007	Additions	Deletions/ Retirement	As at June 30, 2007	As at April 1, 2007	For the period	Deletions/ Retirement	As at June 30, 2007	As at June 30, 2007	As at March 31, 2007
Goodwill	589	-	-	589	-	-	-	-	589	589
Land: free-hold	76	1	-	77	-	-	-	-	77	76
leasehold	96	-	-	96	-	-	-	-	96	96
Buildings	1,471	30	-	1,501	267	25	-	292	1,209	1,204
Plant and machinery	787	15	-	802	423	34	-	457	345	364
Computer equipment	1,028	49	1	1,076	774	62	1	835	241	254
Furniture and fixtures	573	7	-	580	362	22	-	384	196	211
Leasehold improvements	20	-	-	20	10	1	-	11	9	10
Vehicles	2	-	-	2	-	-	-	-	2	2
	4,642	102	1	4,743	1,836	144	1	1,979	2,764	2,806
Previous period	2,983	669	5	3,647	1,328	106	1	1,433	2,214	
Previous year	2,983	1,706	47	4,642	1,328	514	6	1,836	2,806	

Note: Buildings include Rs. 250/- being the value of 5 shares of Rs. 50/- each in Mittal Towers Premises Co-operative Society Limited

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at June 30, 2007 March 31, 2007

4 INVESTMENTS

Trade (unquoted) – at cost

Long-term investments	12	12
Less: Provision made for investments	12	12
	-	-

Non-trade (unquoted), current investments, at the lower of cost and fair value

Liquid mutual funds	-	25
	-	25
Aggregate amount of unquoted investments	-	25

5 DEFERRED TAX ASSETS

Fixed assets	80	74
Sundry debtors	3	3
Leave provisions and others	16	15
	99	92

6 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	30	16

Other debts

Unsecured		
considered good*	2,496	2,436
considered doubtful	6	7
	2,532	2,459

Less: Provision for doubtful debts

	36	23
	2,496	2,436
	8	7

* Includes dues from companies where directors are interested

7 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	248	481
In deposit accounts in Indian Rupees	4,444	4,989
Balances with non-scheduled banks		
In deposit accounts in foreign currency	126	-
In current accounts in foreign currency	315	401
	5,133	5,871

*Includes balance in unclaimed dividend account

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at June 30, 2007 March 31, 2007

8 LOANS AND ADVANCES

Unsecured, considered good		
Advances		
prepaid expenses	29	34
for supply of goods and rendering of services	4	3
advance to gratuity trust	-	-
others	10	20
	<u>43</u>	<u>57</u>
Unbilled revenues	324	320
Advance income tax	300	353
MAT credit entitlement	44	-
Loans and advances to employees		
housing and other loans	40	42
salary advances	68	76
Electricity and other deposits	27	21
Rental deposits	18	15
Deposits with financial institution and body corporate (refer note 22.2.9)	1,441	309
Mark to Market forward contract & option - asset	117	15
Other assets	6	6
	<u>2,428</u>	<u>1,214</u>
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	<u>2,429</u>	<u>1,215</u>
Less: Provision for doubtful loans and advances to employees	1	1
	<u><u>2,428</u></u>	<u><u>1,214</u></u>

9 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	-
goods and services	13	25
accrued salaries and benefits		
salaries	54	39
bonus and incentives	211	264
unavailed leave	154	149
for other liabilities		
accrual for expenses	480	456
retention monies	33	24
withholding and other taxes payable	163	181
others	8	12
	<u>1,116</u>	<u>1,150</u>
Advances received from clients	2	4
Unearned revenue	340	311
Unclaimed dividend	5	2
Due to option holders of Infosys BPO	2	2
	<u>1,465</u>	<u>1,469</u>

10 PROVISIONS

Proposed dividend	-	371
Provision for		
tax on dividend	-	63
income taxes*	289	224
post-sales client support and warranties	22	23
	<u>311</u>	<u>681</u>

* Refer to note 22.2.8

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

Quarter ended
June 30,

	2007	2006
11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
Salaries and bonus including overseas staff expenses	1,769	1,338
Contribution to provident and other funds	45	32
Staff welfare	11	9
Overseas travel expenses	150	136
Traveling and conveyance	2	-
Technical sub-contractors	83	57
Software packages		
for own use	46	35
for service delivery to clients	12	14
Communication expenses	18	17
Rent	6	8
Computer maintenance	6	5
Consumables	7	4
Provision for post-sales client support and warranties	-	2
Miscellaneous expenses	14	9
	<u>2,169</u>	<u>1,666</u>
12 SELLING AND MARKETING EXPENSES		
Salaries and bonus including overseas staff expenses	142	136
Contribution to provident and other funds	1	1
Staff welfare	1	1
Overseas travel expenses	28	26
Traveling and conveyance	1	3
Brand building	11	12
Commission and earnout charges	1	8
Professional charges	5	5
Rent	4	5
Marketing expenses	6	3
Telephone charges	2	2
Printing and stationery	-	-
Advertisements	2	1
Sales promotion expenses	1	-
Office maintenance	-	-
Communication Expenses	-	-
Insurance charges	-	-
Consumables	-	-
Computer maintenance	-	-
Rates and taxes	-	-
Miscellaneous expenses	-	1
	<u>205</u>	<u>204</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

Quarter ended
June 30,

	2007	2006
13 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	78	62
Contribution to provident and other funds	3	3
Staff welfare	1	-
Telephone charges	31	28
Professional charges	42	31
Power and fuel	30	23
Office maintenance	29	25
Traveling and conveyance	23	22
Overseas travel expenses	5	5
Insurance charges	8	7
Printing and stationery	7	3
Rates and taxes	6	9
Donations	5	4
Rent	6	5
Advertisements	3	1
Professional membership and seminar participation fees	3	2
Repairs to building	4	3
Repairs to plant and machinery	5	3
Postage and courier	3	3
Books and periodicals	1	1
Recruitment and training	1	2
Provision for bad and doubtful debts	15	10
Provision for doubtful loans and advances	-	-
Commission to non-whole time directors	1	-
Auditor's remuneration		
statutory audit fees	-	-
certification charges	-	-
others	-	-
out-of-pocket expenses	-	-
Bank charges and commission	-	-
Freight charges	-	-
Research grants	3	2
Software packages		
for own use	-	-
Miscellaneous expenses	2	2
	<u>315</u>	<u>256</u>
14 OTHER INCOME, NET		
Interest received on deposits with banks and others*	182	52
Dividend received on investment in liquid mutual funds (non-trade unquoted)	1	18
Profit on sale of liquid mutual funds	-	6
Miscellaneous income, net (Refer to note 22.2.10)	2	-
Exchange gains / (losses)	68	52
	<u>253</u>	<u>128</u>
<i>*includes tax deducted at source</i>	29	14
15 PROVISION FOR TAXATION		
Income taxes*	165	114
MAT credit entitlement	(44)	-
Deferred taxes	(7)	(8)
	<u>114</u>	<u>106</u>
<i>* Refer to note 22.2.8</i>		

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Cashflow Statements for the

Quarter ended
June 30,

2007 2006

16 CHANGE IN LOANS AND ADVANCES

As per the Balance Sheet*	2,437	1,440
Less: Deposits with financial institutions, included in cash and cash equivalents	(1,309)	(524)
MAT credit entitlement	(44)	-
Advance income taxes separately considered	(300)	(267)
	784	649
Less: Opening balance considered	(693)	(504)
	<u>91</u>	<u>145</u>

* Net of gratuity transitional liability

17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS

As per the Balance Sheet	1,776	1,153
Add/ (Less): Unclaimed dividend	(5)	(5)
Due to option holders of Infosys BPO	(2)	-
Provisions separately considered in the cash flow statement		
Income taxes	(289)	(190)
	1,480	958
Less: Opening balance considered	(1,488)	(942)
	<u>(8)</u>	<u>16</u>

18 INCOME TAXES PAID

Charge as per the Profit and Loss Account	114	106
Add: Increase/ (Decrease) in advance income taxes	(53)	-
Increase / (Decrease) in deferred taxes	7	8
Increase / (Decrease) in MAT credit entitlement	44	-
Less: Income Tax benefit arising from exercise of stock options	-	-
(Increase)/Decrease in income tax provision	(65)	-
	<u>47</u>	<u>114</u>

19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS

As per Balance Sheet*	102	254
Less: Opening Capital work-in-progress	(965)	(571)
Add: Closing Capital work-in-progress	1,199	510
	<u>336</u>	<u>193</u>

* Excludes Rs Nil crore (Rs 4 crore) towards movement of land from Leasehold to Freehold

* Excludes goodwill Rs Nil crore (Rs 411 crore) on buyback of Infosys BPO Ltd shares

20 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *

As per the Balance Sheet	-	1,638
Add: Provisions made on investments	-	3
	-	1,641
Less: Profit on sale of liquid mutual funds	-	(6)
Opening balance considered	(25)	(755)
	<u>(25)</u>	<u>880</u>

* Refer to note 22.2.11 for details of investments and redemptions

21 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

As per the Balance Sheet	5,133	1,272
Add: Deposits with financial institutions, included herein	1,309	524
	<u>6,442</u>	<u>1,796</u>